



## state senator Brent Steele

2005 LEGISLATIVE UPDATE

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## Property Tax Reform

### A local income tax proposal could be the best solution

Property taxes have grown considerably for all classes of taxpayers over the last 20 years, and are an outdated mechanism for taxation in many regards. They are not levied on ability to pay. This creates particular problems for senior citizens living in long-held homes and who have a fixed income. It has created a burden on farmers and other businesses unrelated to income, and it is a drag on new home purchases by young families and new business investment.

This year, Senate Republicans passed a plan to move local governments away from property taxes. After vocal opposition by local elected officials, the House was forced to defeat the measure.

The plan would have required that counties, through the representative council of the cities, towns, counties, and school districts, vote this summer on whether to plan their local budgets with a more equitable income tax. Currently, local units of government are permitted to grow their budgets on a rolling six-year average of the increase in Non-Farm Personal Income, and to do this, they generally increase property taxes. The state does not increase property taxes.

Under the new plan, the controls on growth are retained, but local units are encouraged to use the income tax to fund it, instead of using the property tax. The proposal merely permits increases that can occur on property taxes to be moved to income taxes.

It is estimated by the nonpartisan Legislative Services Agency that most counties would start with a tax rate of less than 0.5 percent. That rate could grow to 1 to 1.2 percent by 2011.

How fast the rate actually grows in each county will be determined by the natural rate of income tax growth and the rate of spending growth in each county. Over that period, property taxes to fund operating expenses for schools and local government would not increase. The new income tax rate would have been capped at about 1.2 percent.

The program required a rainy day fund to be set aside to protect each school and civil unit of government against economic downturns. In addition, if units spend less than the full growth increase permitted, that money could be used in four ways: Across the board property tax relief; put in the rainy day fund;

### did you know?

In Indiana, local governments and schools keep 99.9 percent of all property taxes collected.



Currently, one third of the state budget goes toward property tax relief, dedicating over \$3.7 billion a year.

Half of all revenue raised by the state sales tax is used for property tax replacement, as is 14 percent of the income tax and nearly a half billion dollars every year from the wagering tax from riverboats.

create an additional local homestead credit; create an additional local property tax replacement credit.

This would have been a major change that would be beneficial for all taxpayers, as we move to a system that is based on ability to pay, is easier to administer, and will return funds more rapidly to local units for their budgets. Unfortunately, local officials decided not to support this innovative move away from property taxes. I do plan to support this measure in the 2006 session.



## state senator Brent Steele

serving district 44

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## The State Budget: Holding the Line on Spending

### LEGISLATURE PASSES FIRST BALANCED BUDGET IN 10 YEARS

The Indiana General Assembly has passed a balanced two-year state budget that holds the line on spending, eliminates the structural deficit, adds no new state taxes, provides \$4 billion in property tax replacement credits and adds \$112.4 million to K-12 education.

Senate Republicans voted to control state spending while boosting funding for K-12 education, scholarships for higher education and child protection. Medicaid funding is held to a 5 percent increase. This is in contrast to the 10 percent in the current biennium.

The passage of this budget bill is quite an accomplishment. To overcome a \$600 million structural deficit and end up with reserves – all without new state taxes – is no small feat.

Education funding remained a top priority by the Senate Republicans. The school funding formula is driven by an innovative approach that funds children as individuals instead of simply funding corporations. Special factors are taken into consideration, such as poverty, single parent families and free lunches, when determining the level of funding that is to follow a child.

The General Assembly continually has increased education spending in past years, even when other states were cutting education. In 2003, Indiana had the highest increase of K-12 funding in the country – during a national recession. The new budget

gives more money and adds funding options to Indiana public schools than has ever been given in the history of the state.

Additionally, the state is distributing to local governments \$4 billion in property tax replacement credits (PTRC), in an effort to provide relief to homeowners and other property taxpayers. Local governments and schools keep 99.9 percent of all property taxes, which are levied by local governments and schools. Half of all revenue raised by the state sales tax is used for PTRC, as is 14 percent of the income tax and nearly a half billion dollars every year from the wagering tax.

Earlier in the session, Senate Republicans voted to pass a measure to reform the property tax system by giving local governments an option to shift the property tax burden to an income tax in order to be more fair and equitable to Hoosiers. The initiative was successful in the Senate but failed to receive consideration in the House of Representatives when the bill met substantial opposition from local government officials.

The new budget is a prescription for positive change in Indiana. It is the first balanced budget crafted by legislators in 10 years. I strongly support efforts to keep spending down while providing adequate funding for essential services.

## General Assembly Working to Protect Crane Naval Center



I sponsored a bill this session to protect the Crane Naval Surface Warfare Center. The passage of this bill is a positive step in the right direction. It is important that we protect and support the naval base and the jobs and economic benefits it provides to our communities.

The proposal, which is called the Military Base Protection Act, was authored to protect Crane and help keep it in Indiana. We need to get the message out that the state of Indiana is behind the Crane Center 100 percent. Many Hoosiers would lose their jobs or be affected negatively if this base were to close.

The Crane Center is a production center that is involved in the production of virtually every ship, submarine, aircraft and missile system fielded by the U.S. Navy. It is the third largest navy installation in the nation with more than 3,400 employees and is the second largest employer of Southwest Indiana.

The Federal Base Realignment and Closure Commission recently released its report and plans to realign Crane, but it would remain open. The Crane Military Base is the only active military base in the state of Indiana. It is located in Crane, southwest of Bedford.





Photo: Sen. Steele works with staff from the Legislative Services Agency to draft a bill.



Hoosiers' Right To Hunt & Fish

This year, I sponsored House Joint Resolution 4, which seeks to amend the Indiana Constitution guaranteeing citizens the right to hunt and fish. These activities are very popular in Indiana and have a significant economic impact. According to the Congressional Sportsmen's Foundation, there are approximately 290,000 hunters and 874,000 anglers in Indiana. These individuals spend \$847 million and create 16,000 jobs in this arena. Annual spending by Indiana sportsmen equals 45 percent of the cash receipts from corn, the state's top agricultural commodity. This legislation is important not only because this is a popular Hoosier pastime, but also because these rights are under attack by special interest groups. Two anti-hunting groups merged at the beginning of 2005 and are believed to have as much as \$98 million in annual support to fight against hunting, fishing, and traditional wildlife management in the United States. This group, now known as the Humane Society of the United States, has stated that two of its top issues are abolishing hunting and trapping. The new section of the constitution would state that Hoosiers have a right to hunt, fish and harvest game. HJR 4 must be agreed upon by two consecutive general assemblies and then ratified by a majority of the state's voters before becoming effective.

Much Accomplished in 2005
A variety of issues didn't make big headlines, but they may make a big impact on Hoosiers

Many feel daylight-saving time and the expansion of the Indianapolis convention center and new stadium dominated the 2005 legislative session, but the General Assembly passed many initiatives that will be beneficial to citizens across Indiana. We addressed issues such as election reform, National Guard benefits, child protection laws, agriculture, and improving health care services. The following are just a few examples of this year's accomplishments:
Elections — We worked hard this session to give voters confidence that our elections will be fair, open and honest. A bill passed that tightens restrictions on obtaining an absentee ballot. The bill does not make registering to vote more difficult; it simply creates new safeguards to protect the rights of honest absentee voters. We also passed legislation that will require voters to show a picture ID issued by the state or federal government (such as a driver's license or state ID card). Without proof of identification, it is easy for fraudulent voters to use different names at different times on Election Day. Considering recent nationwide voting problems, and some within Indiana, this is a common-sense step to help prevent fraud.
National Guard Benefits — Our National Guard members are serving overseas in Bosnia, Kosovo, Afghanistan, Iraq and several other countries. Because of the huge sacrifice these men and women are making on our behalf, we passed a measure that exempts spouses and children of Guard members killed in the line of duty from paying tuition at any state educational institution. This bill was authored to help support those dependents and spouses who endure financial difficulties after losing a loved one in state active duty.
Child Protection — The General Assembly also passed legislation aimed at pro-



tecting Hoosier children. Two bills in particular will enhance the effectiveness of our sex offender and violent offender registry. The bills add the possession of child pornography to the 14 existing offenses and also allow neighborhood associations to receive the semi-annual updates of the list. We also created the Department of Child Services to handle child support, child protection, adoption and foster services. Our children are our most precious commodity, and should receive special attention from the state. This new department will focus only on children and their families.
Agriculture — Indiana is one of the nation's top agriculture states. This session, we created the Indiana Department of Agriculture and consolidated duties that were once scattered across numerous agencies. The move costs Indiana taxpayers no additional money. In fact, we hope it actually saves money by merging the 10 separate agriculture boards and commissions into one large department. We also passed legislation that will encourage the use of our soybean and corn crops in the production of alternative fuels.
Health Care — We passed a bill that creates a panel of experts to develop a medical information system for Indiana. A medical information system would connect physicians' offices, pharmacies, laboratories, imaging centers, hospitals and other medical facilities. If a person became ill in another part of the state, a physician with proper authorization could have immediate access to the person's medications, medical history and lab and X-ray reports. That patient then would receive better, more personalized care. The panel must create a plan that will maintain privacy.
This year's session has been an eventful one, full of activity. Although the session's end has come, my job as your senator is never finished and I am available to assist you.

Making dollars & sense of SCHOOL FUNDING
State should fund children, not corporations

Indiana has had a long history of strong financial support for education, spanning several administrations. In 2003, during a national recession, our state had the highest increase of K-12 funding in the country. Funding for public education is our top priority and by far the largest part of our state budget.
Indiana ranks 17th in the nation for per pupil spending and 16th in average teacher salaries; 10th highest with cost of living adjustments. In the 2003 budget session, we provided a total formula dollar increase of 1.6 percent for 2004 and 1.7 percent for 2005. With Capital Project Fund Transfers included, the total formula increases were 3.3 percent and 2.9 percent. From 1993 to 2003, K-12 spending grew 69.3 percent. Compare that to a growth in K-12 enrollment of only 4.2 percent. During the same period, all-in spending (including federal dollars) increased from \$5.4 billion to \$9.3 billion.
The explosion in school spending was due in part to an antiquated method of funding education. For many years, the Legislature has funded school districts on the basis of a "minimum guarantee." The guarantee is intended to cover a district's fixed costs, but the result is that children are treated unequally, and costs are soaring.
Some corporations have lost 30 percent of their enrollment in the last six years but have seen their funding per child increase by as much as 75 percent. Meanwhile, corporations with growing enrollments currently are receiving less than full funding for each new enrollee. The minimum guarantee has shifted our focus from children to corporations and fails to maximize the use of dollars where they are needed — with the children.
In lieu of this old-fashioned method, there should be a standard amount of funding for every child while allocating additional money for children who have multiple needs. If a school corporation grows and adds children, that basic level of funding should be provided for each additional child. Our focus needs to be on the approximately one million children we are funding, rather than on corporations.
The Senate's school funding plan recognizes that every child deserves a foundation of funding. The formula first determines an amount needed for the "basic" education of each child. Additional funding is disbursed based on other needs and achievements.



Hoosiers express concern about education performance and the "brain drain" problem. In a time when the state must utilize a limited amount of money, it is imperative that we pinpoint every dollar toward the individual child to achieve maximum efficiency. If the citizens of Indiana want to fund public education successfully, we must focus on our greatest investment: the well-educated child.
In recent budget years, the state has increased education funding significantly. This year, we faced a \$600 million structural deficit. Our state's financial problems are difficult for many Hoosiers to accept, but we believe they will be temporary. In the meantime, the Senate passed a generous overall increase to education funding, in addition to a more equitable formula. As our fiscal condition improves, we can look forward to a continuation of the General Assembly's commitment to education.



PHOTO: During a busy session day, Sen. Steele discusses legislation with Sen. Vic Heinold of Kouts before voting on a bill. Sen. Steele cast 559 votes in 2005 and had a 99.6% attendance record — one of the highest in the Senate.

Saving Medicaid

Nearly one in six Hoosiers receives Medicaid. For every dollar of state Medicaid funds saved, \$3 is removed from the health care economy in Indiana. These statistics point to the significance of this program. As a result, the Senate remains determined to restore fiscal solvency to this vital program.
Medicaid costs increased 10 percent last year. Without the aid of a federal grant of \$146.3 million and cost containment measures that trimmed another \$73.4 million, the state would have faced a \$241 million deficit. In spite of these actions, the program still posted a \$21.7 million shortfall.
Governor Mitch Daniels cited a control of Medicaid cost growth as a major objective in his first State of the State address in January. Without significant policy changes, projected figures indicate another 10 percent increase this year. Given the tight financial constraints plaguing the state, an increase of this magnitude could bankrupt this vital program and take away money from other important programs like K-12 education.
The Senate considers the Medicaid program one of the state's most important services and plans to spend a substantial amount of time identifying ways to improve the program, while keeping it fiscally sound. We want to make sure that Medicaid remains a program exclusively for those who are truly poor and in need of services. This requires a full evaluation of program requirements and making adjustments as necessary.
One of the key elements involved with lowering the cost of Medicaid is purchasing long-term health care insurance. Many people assume that Medicaid will cover the cost of living in a nursing home, but many seniors have to buy down their assets in order to qualify for Medicaid coverage. If Hoosiers take advantage of buying the insurance they will have complete protection of their assets.
The Indiana Long Term Health Care Insurance Program is a partnership between the state and insurance companies that allows seniors to protect their assets while receiving assistance to pay for long-term care. Because the average cost of one year in a nursing home is \$44,000, it is important to protect yourself against losing your life savings to pay for such care. For more information on the Indiana Long Term Health Care Insurance Program, visit www.longtermcareinsurance.in.gov or call 1-800-452-4800.
With federal cuts possible, states must find ways to curb spending now. We are determined to carefully evaluate every option available to restore fiscal solvency to this vital program.

New Law Will Help Curb Meth Production in Southern Indiana

Rarely does a week in Indiana pass during which methamphetamine abuse is not mentioned on the news. Meth production has become widespread in our state, and this year the legislature has proven its commitment to curbing this criminal activity.
In 2003, Indiana law enforcement seized 422 meth labs, a figure higher than any other Midwestern state, according to the U.S. Drug Enforcement Administration.
It is difficult to catch meth producers. All of the ingredients needed to manufacture meth can be purchased legally and are relatively inexpensive.
This year, we passed a bill to regulate the sale and purchase of meth precursors in the hope of reducing production in Indiana. Senate Enrolled Act 444 includes a variety of measures designed to stop the production of meth by placing restrictions on the sale and purchase of drugs containing ephedrine or pseudoephedrine, commonly found in over-the-counter cold and allergy medicines — and commonly used to make meth.